

Message Text

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16/43

ACTION EA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 PA-01 PRS-01

USIA-06 IO-10 /096 W

----- 065092

R 120915Z DEC 74

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 1676

INFO AMEMBASSY KUALA LUMPUR

C O N F I D E N T I A L SINGAPORE 4961

C O R R E C T E D C O P Y (PARA. 3.)

E.O. 11652: GDS

TAGS4 ENRG, SN, XP

SUBJ: SINGAPORE BEARING UP UNDER ENERGY CRISIS

SUMMARY: ON DECEMBER 9 PRIME MINISTER LEE AND FINANCE MINISTER HON GAVE SPEECHES BEFORE THE PACIFIC BASIN ENERGY CONFERENCE. THE SPEECHES OFFERED SOME INSIGHT INTO THE GOS'S CURRENT THINKING ON THE WORLD ECONOMY AND ITS PERCEPTION OF THE OIL CRISIS. THE PRIMARY

POINT OF LEE'S SPEECH WAS THAT THE US AND THE WEST FAILED POLITICALLY TO REVERSE OPEC'S POLITICAL ACTION OF QUADRUPLING PETROLEUM PRICES. CHIEF BENEFICIARY OF RESULTING OIL CRISIS WAS COMMUNISM SINCE THIRD WORLD COUNTRIES CAN SEE RELATIVELY DIRE EFFECTS ON WESTERN DC'S AND LESSER IMPACT ON COMMUNIST ECONOMIES. LEE SAID ONLY AMERICA HAS RESOURCES TO SURVIVE CONSEQUENCES OF VASTLY ALTERED TERMS OF TRADE. EVEN WORSE ECONOMIC EFFECTS ON UNDERDEVELOPED NATIONS MAY LEAD THEM TO EXPERIMENT WITH OTHER SYSTEMS (I.E. MORE AUTHORITARIAN REGIMES). SPEECH INDICATED LEE'S CONTEMPT FOR US HANDLING OF OIL CRISIS AND HIS TENDENCY TO VIEW FUTURE IN CATA-CLYSMIC TERMS. THE FINANCE MINISTER IN HIS SPEECH EXPANDED ON LEE'S
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STATEMENT THAT "SINGAPORE IS BEARING UP" UNDER THE PRESSURES OF THE

ENERGY CRISIS. HON FORECAST A REAL GROWTH RATE FOR THIS YEAR OF AROUND 5 PERCENT, A BALANCE OF PAYMENTS SURPLUS, AND NO MAJOR PROBLEM WITH UNEMPLOYMENT. END SUMMARY.

1. PRIME MINISTER LEE SPOKE ON THE FIRST DAY OF A TWO-DAY CONFERENCE ON THE ENERGY CRISIS AND ITS EFFECTS ON THE PACIFIC BASIN REGION. IN HIS ADDRESS, THE PRIME MINISTER SAID THAT THE END OF 1973 WILL BE A TURNING POINT IN THE HISTORY OF THE WORLD UNLESS MASSIVE NEW OIL DISCOVERIES, AN UNLIKELY PROSPECT, CHANGE THE PRICE OUTLOOK FOR OIL. HE CHARACTERIZED THE INCREASE IN THE PRICE OF OIL AS A COUP BY OPEC THAT CAUSED GREAT AGITATION IN THE US GOVERNMENT AND PRECIPITATED A STRONG SPEECH BY PRESIDENT FORD AT THE UN ABOUT THE WORLD BEING HELD FOR RANSOM. HOWEVER, THE ARABS WERE UNMOVED AND KISSINGER'S PROPOSAL FOR CREATING A \$25 BILLION FACILITY TO FINANCE THE INDUSTRIAL COUNTRIES' OIL DEFICIT WAS ACKNOWLEDGMENT THAT THE US HAD FAILED POLITICALLY TO REVERSE WHAT HAD BEEN DONE BY OPEC AS A POLITICAL ACT.

2. LEE NOTED THE IRONY OF A GROUP OF ANTI-COMMUNIST ARAB COUNTRIES STRENGTHENING THE COMMUNISTS BY THEIR USE OF THE OIL WEAPON. HE SAID THE RISE IN OIL PRICES HAS WEAKENED THE WHOLE NON-COMMUNIST INDUSTRIAL WORLD VIS-A-VIS THE COMMUNIST COUNTRIES SINCE THE SOVIET UNION AND THE PRC ARE NET EXPORTERS OF OIL.

3. LEE ENDED HIS SPEECH WITH THE STATEMENT THAT SOUTHEAST ASIA IS LESS STRICKEN THAN OTHER PARTS OF THE DEVELOPING WORLD. "SINGAPORE IS BEARING UP," BUT THE PROSPECT FOR NEXT YEAR "DEPENDS ON WHETHER THE WEST EUROPEANS AND THE JAPANESE SUCCEED IN PERSUADING THE AMERICANS THAT RECESSION IS MORE DANGEROUS THAN INFLATION. BUT STRONG AND DECISIVE DECISIVE LEADERSHIP, CRUCIAL IN A CRISIS-RIDDEN WORLD, IS NOT SELF-EVIDENT IN AMERICA, NOR SO EVIDENT IN WESTERN EUROPE OR JAPAN."

4. IN A LESS FLAMBOYANT SPEECH, FINANCE MINISTER HON SAID THAT SINGAPORE HAS FARED WELL UNDER THE PRESSURES CAUSED BY THE ENERGY CRISIS AND HOPES TO CONTINUE DOING SO BY SERVING THE NEEDS OF THE OIL PRODUCING COUNTRIES OF SOUTHEAST ASIA WITH ITS RAPIDLY DEVELOPING INDUSTRIAL AND FINANCIAL CENTER ACTIVITIES. IN ADDITION, SINGAPORE SHOULD STOW ANOTHER BALANCE OF PAYMENTS SURPLUS THIS YEAR, DESPITE SOARING OIL PRICES, DUE TO ITS EARNINGS FROM PETROLEUM EXPORT SALES
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AND REFINING ACTIVITIES. HON SAID SINGAPORE'S REAL GROWTH RATE OF ABOUT 14 PERCENT FOR THE PAST FIVE YEARS WOULD SLOW DOWN TO AROUND 5 PERCENT THIS YEAR, BUT BARRING WORLDWIDE DEPRESSION, UNEMPLOYMENT SHOULD NOT BECOME A MAJOR PROBLEM FOR THE REPUBLIC.

5. HON MAINTAINED THAT PRESENT WORLD DIFFICULTIES WERE NOT BROUGHT ABOUT SOLELY BY QUADRUPLING OF OIL PRICES, BUT WERE ALSO TRIGGERED BY INFLATION, SLACKENING OF WORLD FINANCIAL DISCIPLINE IN THE EARLY

70'S AND BAD HARVESTS AND FOOD SHORTAGES. TO TACKLE THESE WORLD ECONOMIC PROBLEMS HE CALLED FOR PROPER RE-CYCLING OF MIDDLE EAST OIL SURPLUSES FROM SHORT-TERM DEPOSITS TO MEDIUM-TERM AND LONG-TERM CAPITAL INVESTMENTS, RELAXATION OF RESTRICTIVE CREDIT POLICIES BY GOVERNMENTS IN ORDER TO "REFLATE THEIR ECONOMIES," AND JOINT ACTION BY BOTH CONSUMERS AND PRODUCERS TO REVIVE INTERNATIONAL ECONOMIC ACTIVITIES.

6. COMMENT: THERE WERE SEVERAL COMMENTS IN LEE'S SPEECH IMPLYING CONSIDERABLE CONTEMPT FOR THE US HANDLING OF THE OIL CRISIS AND CONCERN OVER US ANTI-INFLATIONARY POLICIES (WHICH IN SOME SINGAPOREANS' OPINION WILL BRING ON WORLDWIDE RECESSION), BUT SUCH STATEMENTS ARE CONSISTENT WITH LEE'S PRIVATE UTTERANCES. (HE AND DEPUTY PRIME MINISTER GOH PRIVATELY STATE THAT THE US SHOULD RESORT TO MILITARY ACTION AGAINST THE ARABS.) LEE DESCRIBED HIS SPEECH AS ONE DESIGNED TO STIMULATE THOUGHT AND DISCUSSION RATHER THAN AS A PROPHECY OF INEVITABLE DECLINE. HOWEVER, DESPITE HIS MORE OPTIMISTIC REFERENCES TO THE SINGAPORE ECONOMY, IT CLEARLY REVEALS HIS PESSIMISTIC NATURE AND HIS TENDENCY TO VIEW FUTURE WORLD DEVELOPMENTS IN CATARLYSMIC TERMS.

7. TEXTS BEING POUCHED TO EA/IMS. GRANT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL STABILITY, ECONOMIC CONDITIONS, ENERGY, PETROLEUM, SPEECHES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SINGAP04961
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740364-0102, D740361-0120
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741240/aaaabhsx.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2002 by rowelle0>; APPROVED <24 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SINGAPORE BEARING UP UNDER ENERGY CRISIS SUMMARY: ON DECEMBER 9 PRIME MINISTER LEE AND FINANCE MINISTER
TAGS: ENRG, SN, XP, (LEE)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005